

HOUSE BILL REPORT

HB 2434

As Reported by House Committee On:

Higher Education
Capital Budget

Title: An act relating to the total outstanding indebtedness of the higher education facilities authority.

Brief Description: Authorizing an increase in the total outstanding indebtedness of the higher education facilities authority.

Sponsors: Representatives Walsh, Seaquist, Ryu and Freeman; by request of Washington State Higher Education Facilities Authority.

Brief History:

Committee Activity:

Higher Education: 1/24/14, 1/29/14 [DP];
Capital Budget: 2/6/14, 2/10/14 [DP].

Brief Summary of Bill

- Increases the limit on total outstanding bonded indebtedness of the Washington Higher Education Facilities Authority from \$1 billion to \$1.5 billion.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 19 members: Representatives Seaquist, Chair; Pollet, Vice Chair; Haler, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Gregerson, Hansen, Hargrove, Johnson, Magendanz, Muri, Reykdal, Sawyer, Scott, Sells, Smith, Tarleton, Walkinshaw, Walsh and Wylie.

Staff: Madeleine Thompson (786-7304).

Background:

The Washington Higher Education Facilities Authority.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington Higher Education Facilities Authority (Facilities Authority) was created in 1983 to minimize the capital costs of construction, financing, and use of higher education facilities at Washington's nonprofit, independent colleges.

The Facilities Authority issues tax-exempt, nonrecourse revenue bonds for qualified independent higher education institutions. The institutions may use the bond proceeds for refinancing taxable or tax-exempt debt, remodeling, construction, purchase of equipment, or other approved purposes. Bonds may be issued by the Facilities Authority to refund other outstanding bonds, at or prior to the maturity of those bonds. The total outstanding bonded indebtedness of the Facilities Authority must not exceed \$1 billion.

The qualified nonprofit, independent higher education institutions are:

- Bastyr University;
- Cornish College of the Arts;
- Gonzaga University;
- Heritage University;
- Northwest Indian College;
- Pacific Lutheran University;
- Pacific Northwest University of Health Sciences;
- Saint Martin's University;
- Seattle Pacific University;
- Seattle University;
- University of Puget Sound;
- Walla Walla University;
- Whitman College; and
- Whitworth University.

Summary of Bill:

The limit on total outstanding bonded indebtedness of the Facilities Authority is increased from \$1 billion to \$1.5 billion.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The independent higher education institutions experience vast savings on interest rates because of this program which helps to expand the higher education capacity in the state. Expansion can happen more rapidly because of this program. A great deal has been

achieved at no cost to the state as all administration is paid by the institutions through program fees. This is planning ahead. Proposed expansions will bring the total debt limit above the threshold if this measure does not pass.

(Opposed) None.

Persons Testifying: Representative Walsh, prime sponsor; and Kim Herman, Washington Higher Education Facilities Authority.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 13 members: Representatives Dunshee, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Appleton, Christian, Riccelli, Robinson, Scott, Senn, Smith, Stonier and Warnick.

Staff: Susan Howson (786-7142).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Higher Education:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The debt issued by the Washington Higher Education Facilities Authority (Facilities Authority) is not state debt. There is no full faith and credit pledge. Projects funded include law school buildings, residence halls, classroom buildings, athletic facilities, as well as other facilities for the state's private colleges and universities. The Facilities Authority achieved \$65 million in net present value interest savings to the private colleges and universities since 2009. The timing for this bill is intended to be proactive to make sure the necessary bond authority to support projects is available when it is needed in the future.

(Opposed) None.

Persons Testifying: Representative Walsh, prime sponsor; and Kim Herman, Washington Higher Education Facilities Authority.

Persons Signed In To Testify But Not Testifying: None.